

Message Text

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ACTION XMB-04

INFO OCT-01 AF-08 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 0876

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E.O. 11652: N/A

TAGS: EGEN, CG

SUBJECT: EXIM FINANCING FOR INGA-SHABA OVERRUN

REF: STATE 295106

1. REGRET DELAY IN RESPONDING TO REFTEL, BUT GOVERNOR SAMBWA HAS BEEN IN ABIDJAN CHAIRING AFRICAN CENTRAL BANK GOVERNORS' MEETING.

2. DCM SAW SAMBWA DECEMBER 8 AND MADE STRONG PITCH FOR IMMEDIATE PAYMENT OF INTEREST ARREARAGES SO THAT INGA-SHABA DRAWDOWN COULD PROCEED EXPEDITIOUSLY. GOVERNOR SAMBWA SAID THAT HE WANTED TO DO EVERYTHING IN HIS POWER TO MEET EXIM'S CONDITIONS, BUT, UPON EXAMINATION OF HIS FX AVAILABILITIES, HE HAD FOUND THAT HE WOULD NOT BE ABLE TO MAKE THE FULL PAYMENT IN ONE LUMP SUM.

3. THE GOVERNOR POINTED OUT THAT THE LONDON ACCORDS IMPOSE A RIGID PAYMENT SCHEDULE ON ZAIRE AND THAT EVEN WITH IMF DRAWINGS HE HAD BEEN FORCED TO SHIFT SOME \$6 MILLION FROM ESSENTIAL IMPORTS TO MEET THE NOVEMBER PAYMENT DEADLINE AND THAT ANOTHER \$10 MILLION WAS DUE IN JANUARY. SAMBWA CONCLUDED THAT THE BEST HE WOULD BE ABLE TO DO WAS TO ARRANGE FOR PAYMENTS AT THE RATE OF \$500,000 PER WEEK, BEGINNING DECEMBER 14.

4. DCM ARGUED STRONGLY THAT THIS WOULD NOT BE SATISFACTORY AND GUESSED THAT WASHINGTON RESPONSE WOULD MOST LIKELY BE THAT
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THERE WOULD BE NO DRAWDOWN UNTIL PAYMENT HAD BEEN MADE IN FULL.

SAMBWA PLEADED THAT HE COULD DO NO BETTER AND SAID THAT IF INDEED WASHINGTON TOOK A HARD LINE, "THERE WILL BE A PROBLEM." WHEN IT WAS CLEAR THAT DCM'S PERSUASIVENESS HAD RUN ITS COURSE TO NO AVAIL, HE SAID HE WOULD REPORT GOVERNOR'S VIEW TO WASHINGTON.

5. COMMENT: THERE MAY BE SOME GIVE IN SAMBWA'S POSITION, ALTHOUGH WE DON'T SEE IT. THE \$8.4 MILLION REPORTED BY EXIM TO BE IN GOZ SET ASIDE ACCOUNT IS WHAT IT TAKES, MORE OR LESS, TO ALLOW ZAIRE TO MEET THE LONDON ACCORD TERMS, WHICH WE ALL AGREE IS VERY IMPORTANT. THUS, OUR INSISTENCE ON \$4.2 MILLION MEANS THAT ZAIRE MAY HAVE TO FOREGO POL, WHEAT OR OTHER ESSENTIAL PURCHASES DURING PERIOD THAT WE HAVE PREDICTED AS VERY TIGHT IN TERMS OF FX (KINSHASA 9878). RECOMMEND THAT WASHINGTON REPLY TO THIS MESSAGE WITH INSTRUCTION THAT WE (A) TELL SAMBWA THAT HE MUST DO BETTER THAN \$500,000 PER WEEK AND (B) OFFER A COUNTER PROPOSAL. WE ARE NOT IN POSITION HERE TO RECOMMEND DETAILS OF COUNTER PROPOSAL, BUT BELIEVE, IN VIEW OF DIFFICULT GOZ FINANCIAL SITUATION AND OVERALL US STRATEGY THAT WASHINGTON MUST HAVE SOME FLEXIBILITY.
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